



Comptroller of the Currency
Administrator of National Banks

LARGE BANK - RETAIL

PUBLIC DISCLOSURE

May 11, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Success National Bank
Charter Number 16101**

**One Marriot Drive
Lincolnshire, Illinois 60069**

**Office of the Comptroller of the Currency
Chicago North Field Office
Arlington Place II, Suite 340
85 West Algonquin Road
Arlington Heights, Illinois 60005**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Success National Bank (SNB)** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **May 11, 1998**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

Institution's CRA Rating: This institution is rated "**Satisfactory record of meeting community credit needs.**"

The primary reasons for this rating are:

- SNB's lending activity reflects a good responsiveness to low- and moderate-income individuals and to small businesses.
- Mortgage related products and small loans to businesses are originated throughout the assessment area.
- SNB's level of qualified investments represents an highly responsive commitment to their community.

The following table indicates the performance level of SNB with respect to the lending, investment, and service tests.

Performance Levels	Success National Bank Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High satisfactory		X	
Low satisfactory	X		X
Needs to improve			
Substantial noncompliance			

* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

SNB's prior Performance Evaluation was dated November 6, 1996 at which time a "Satisfactory record of meeting community credit needs" was assigned by this Office. This evaluation covers the period from January 1, 1997 through April 30, 1998.

Description of Institution

SNB is a retail community bank wholly owned by Success Bankshares, Inc., a one bank holding company. The bank's financial condition and size allow it to compete for credit with other financial institutions in the area. SNB, with total average assets of \$318,227,000 as of December 31, 1997, offers a wide range of loan products in order to serve its assessment area. Net income for 1997 was \$1,672,000. Loans account for 75% of the bank's assets. The loan portfolio consists of 78% real estate related; 15% commercial; 3% consumer credit with the remaining 4% other types of loans. Of the real estate loan portfolio, 78% are 1-4 family residential and home-equity loans. SNB has no agricultural loans. The primary focus has been and continues to be mortgage and consumer products. SNB has ten offices; however, since one opened in May 1998 this review is based on the nine offices in operation during the evaluation period. SNB opened two offices during the evaluation period, while closing one office. The bank followed its Branch Closing Policy which incorporates the potential adverse impact on the local area into the decision, when closing the branch. This branch was sold to another financial institution. The office closed did not materially inconvenience SNB customers as it was located in close proximity to another branch location.

Description of Assessment Area

The bank is located in the northwestern suburbs of the City of Chicago and SNB's assessment area (AA) is located entirely within the Chicago Metropolitan Statistical Area (MSA). The area includes towns such as Lincolnshire, Deerfield, Libertyville, Northbrook, Lincolnwood and Lincoln Park. Table 1 describes the community demographics.

Table 1 ASSESSMENT AREA								
Income Category	Population by Tract		Families by income level		Census Tracts by Income level		Owner Occupied Housing	
	#	%	#	%	#	%	#	%
Low	47728	3	55399	15	10	3	1374	1
Moderate	312931	21	54489	15	66	20	31494	10
Middle	407447	28	74488	21	96	30	89976	28
Upper	701964	48	175554	49	152	47	195754	61
Totals	1470070	100%	359930	100%	324	100%	318598	100%

Source: 1990 U.S. Census Data

Table 1 discloses that although the bank has few low-income geographies in its AA, there is a higher level of low-income families within the AA. It is important to point out that the owner

occupied units in low-income areas is a very small portion (1%) of the total owner occupied units in the AA. One of the low-income tracts is a cemetery. A review of market data for 1996 (the latest available), show there were more than 180 lenders vying for the very limited housing related lending opportunities within the nine populated low-income tracts. Ninety-four percent of the housing in the low-income tracts is either renter occupied (80%) or vacant (14%). Slightly over half of the low-income families live in low-income tracts, with 35% living in moderate-income tracts and 16% living in middle-income tracts, with the remainder living in upper-income tracts.

The local economy is stable. The area is comprised mostly of residential sections with the services industry (approximately 26,000 businesses) the major type of business followed by retail trade (approximately 11,000 businesses). As of April 30, 1998, the local unemployment rate was approximately 3%, which is less than the 4.2% rate for the State of Illinois. The weighted average of the MSA's updated median family income is \$59,500; however, the median family income for the AA is approximately \$55,000. The data show that 12% of the population is over the age of 65. The weighted average of median housing is \$189,500 with the average year of housing built is 1954.

The competition is strong as there are large banking companies as well as many local community institutions within SNB's AA. This is especially true for the low- and moderate-income tracts located within the bank's AA. The bank's absence of a physical presence in these areas limits their ability to compete for lending opportunities. The new branch which is located in one of these tracts may improve SNB's ability to compete for lending opportunities. The local banks are the primary peer competitors of SNB and are of similar size and composition.

As part of the examination process we assessed the needs of the bank's AA through outside contacts made over the last two years by various regulatory agencies. The needs identified through these contacts include affordable housing (low down payment loans, down payment assistance and first time home buyer programs), home improvement loans (due to the age of housing stock) and small business loans to maintain economic viability.

Conclusions With Respect to Performance Tests

LENDING TEST

SNB's performance under the Lending Test was evaluated in terms of the volume of lending, the geographic distribution of loans originated and purchased, the borrower dispersion of loans originated and purchased, the responsiveness to community needs, the level of innovation and flexible products offered as well as community development lending activities. Our analysis focused on home mortgage loans based upon the reports required by the Home Mortgage Disclosure Act (HMDA), small loans to businesses and community development lending activities.

Conclusions

- The distribution of loans reflects adequate penetration to borrowers of all income levels.

- The geographic distribution of loans reflects adequate penetration throughout the AA.
- SNB exhibits an adequate record of serving the credit needs of the low- and moderate-income (LMI) persons and small businesses.
- SNB uses innovative and flexible lending practices to help serve the credit needs of its AA.

Lending Levels

Table 2 displays the lending activity for SNB covering the evaluation period.

TABLE 2 LENDING ACTIVITY*							
Loan Type	#	\$ (000)	CT	Low % of #	Moderate % of #	Middle % of #	Upper % of #
			B				
Home Purchase	92	13,527	CT	0	16	22	62
			B	23	18	20	38
Refinance REM	184	26,631	CT	0	3	13	84
			B	6	8	22	61
Home Improvement	190	9,289	CT	0	1	9	90
			B	4	11	21	64
Multi-family (M/F)	14	4,650	CT	22	42	28	8
			B	0	0	0	0
Small Business	144	27,163	CT	0	11	36	53
Community Development	21	8,705					
Total Lending	645	\$89,965					

* Rows may not add upto 100% due to information not obtained by the bank.

(CT) Corresponds to the Income Level of Census Tracts

(B) Corresponds to the Income Level of Borrower

Source: 1997 and 1998 HMDA Reports and 1997 and year-to-date CRA Disclosure Reports

Table 2 shows SNB originated or purchased 645 reportable loans during the evaluation period in its assessment area: 480 HMDA loans; 144 small business loans and 21 community development loans. This level of lending reflects a good responsiveness to the local credit needs for housing and businesses. SNB is making loans identified by outside contacts as those needed in the community.

A substantial majority of loans are made within the bank's AA (79%). Eighty-one percent of HMDA reportable loans and seventy-two percent of small loans to businesses are within SNB's AA.

Geographic Distribution

The geographic distribution is considered reasonable, given the AA characteristics. As can be seen from Table 2 - Lending Activity, the only loans made in low-income geographies were for multi-family purposes. It is important to note that these tracts comprise only 3% of the total AA and represent 1% of the owner occupied housing units in the AA. As stated in the Description of Assessment Area section, ninety-four percent of the housing in the low-income tracts is either renter occupied (80%) or vacant (14%). One of the tracts is a cemetery. Information regarding the volume of small businesses in the various geographies is not available. It must be noted that there are no branches located in low-income tracts. Also, these tracts are concentrated in one section of the AA. It demonstrates the inability of SNB to penetrate these tracts without a physical presence. (The new office located in a moderate-income tract close to the low-income tracts, opened in May 1998, should address this situation.)

When looking at loans made in moderate-income tracts, twenty-eight of the four hundred eighty HMDA reportable loans (6%) and sixteen of the one hundred forty-four small loans to businesses (11%) represent a combined 7% of total loans made in moderate-income tracts. Although this compares negatively with the composition of the AA, again it must be noted that there are no branches located in moderate-income tracts. Also, these tracts are concentrated in one section of the AA. Within these tracts are numerous other financial institutions competing for this business. Market data for 1996 (the latest available) show that 383 lenders originated more than 6,700 loans in these tracts. It demonstrates the inability of SNB to penetrate these tracts without a physical presence. (The new office located in a moderate-income tract, opened in May 1998, should address this situation.)

SNB originated eleven percent of its small loans to businesses located in moderate-income tracts. They are responding to the identified need of making small business loans to maintain economic viability in the community.

Overall, there is adequate penetration throughout the general AA, with no material gaps in lending patterns noted.

Borrowers Profile

There is adequate penetration among retail customers of different income levels and business customers of different size.

A review of the number of HMDA loans originated during the evaluation disclose that 8% (39) of these loans were made to low-income borrowers with another 11% (51) made to moderate-income borrowers. These numbers are slightly lower than the percentage of low- and moderate-income families in the AA (15% and 15% respectively). One of the major reasons for this situation is that almost 60% of the low-income families live in low-income tracts. As stated above, 80% of the housing in these tracts is rental. An analysis of Table 2 - Lending Activity discloses that twenty-three percent of home purchase loans went to low-income borrowers. This high percentage is due, in part, to the various flexible first time home buyer loan products offered by SNB. Home purchase loans to moderate-income borrowers represented another 18% of these loans.

SNB's market rank for HMDA reportable loans in 1996 (the latest information available) was 71 in its AA out of 640 reporting institutions. During this period, SNB's market rank for these types of loans to low-income applicants was 17 out of more than 270 reporting institutions. It is

important to note that SNB was the top non-regional bank or national mortgage company in this category. The market rank for these types of loans to moderate-income borrowers is 76 out of 370 lenders. However, once again, SNB is the top non-regional bank or national mortgage company in this category. These numbers indicate SNB's commitment to lending to LMI individuals within their AA. Although these numbers are for 1996, SNB originated twice the number of HMDA reportable loans in 1997 than 1996.

Table 3 display SNB's small business lending originations for 1997 and year-to-date 1998.

Table 3 Distribution of Small Business Loan Originations Within Assessment Area By Loan Size and Business Revenues								
Loan Size					Annual Revenues < \$1 Million			
	#	%	\$ (000)	%	#	%*	\$ (000)	%*
less than \$100,000	72	50%	3,154\$	12%	57	79%	\$2,568	81%
\$100,000 to \$250,000	33	23%	6,310\$	23%	27	82%	\$5,294	84%
\$250,000 to \$1,000,000	39	27%	17,699\$	65%	29	74%	\$12,437	70%
Totals	144	100%	\$27,163	100%	113	78%	\$20,299	75%
Distribution of Businesses in the Assessment Area by Annual Revenues of the Business:				< 1 Million	78%	*As a percentage of loans of the size category		
				> 1 Million	22%			
				Unknown	0%			

Source: Verified 1997 CRA Disclosure Report

Table 3 discloses that SNB makes one-half of its business loans in small dollar amounts. A vast majority (78%) of the business loans are made to companies with annual revenues of less than \$1 million. The table also reveals that a high level of loans originated for less than \$100,000 went to companies with annual revenues of less than \$1 million (79%). These numbers demonstrate that SNB is meeting the identified credit needs of small businesses.

Flexible and Innovative Products

SNB offers many types of flexible products. These include two different first time home buyers programs (low down payments with no PMI insurance and down payment assistance), a home equity product for senior citizens (twenty year draw period, then thirty year payback) and loans coordinated with a program sponsored by the local FHLB for LMI borrowers. All of these programs are generating loan applications and originations.

Community Development Lending

SNB has made an adequate level of community development loans. As can be seen in Table 2 - Lending Activity, SNB originated 21 community development loans during the evaluation period totaling \$8,705,000. This includes fourteen multi-family residences. SNB provided loans to three local community development and housing organizations in order for those entities to fund loans to LMI individuals in LMI areas within the bank's AA. In addition, SNB provided funding to two

nursing homes whose target market is the elderly living on limited fixed incomes which are less than 80% of the median family income. There was a loan for construction of a shopping plaza located in an LMI area, whose primary employees will be LMI individuals living in this area.

INVESTMENT TEST

SNB's performance under the Investment Test was evaluated in terms of the volume of qualified investments and grants; the level of innovation and complexity associated with the investments; the degree to which the investments and grants responded to the credit and community development needs of the bank's assessment areas; and, the degree to which these investments and activities are not routinely provided by private investors.

Conclusions:

- The bank is highly responsive to credit and community economic development needs.
- The number and dollar amount of qualified investments are adequate. They total \$1,353,000 which is 4.7% of Tier 1 Capital.
- The qualified investments are rarely innovative or complex as most are available from the private sector including several other financial institutions who participate in similar investments.

SNB partners with various community organizations. These groups are involved with affordable housing and economic development (small business and area stabilization) initiatives. SNB actively sought out organizations representing LMI individuals and areas as the bank's AA contains few LMI areas. Although SNB's investments are not considered innovative or complex, they do represent a stable funding source for the community organizations.

The following list represents some of the activities initiated by SNB:

\$1,000,000	SNB's commitment to purchase mortgage backed trust notes from a community investment company that specializes in lending for neighborhood revitalization. To date, more than \$360,000 notes have been purchased. This commitment was recently renewed and now expires in the year 2010.
\$ 250,000	SNB's investment into a community organization's loan pool which funds low-and moderate-income housing in the six county Chicagoland area. This area encompasses SNB's AA.
\$ 14,000	SNB's investment in two local small business micro-loan funds located within its AA.

SERVICES TEST

SNB's performance under the Services Test was evaluated in terms of Retail Banking Services (the accessibility of delivery systems, changes in branch locations and the reasonableness of business hours and services to help meet the assessment area's needs) and the level of community development services provided in the AA.

Conclusions:

- Delivery systems are reasonably accessible to all portions of the AA.
- The opening and closing of branches have generally not adversely affected the accessibility of SNB's delivery systems.
- Services do not vary in a way which inconveniences portions of the AA.
- SNB provides an adequate level of community development services.

Retail Banking Services

SNB operates 9 offices and 8 automated teller machines (ATMs) throughout its AA to deliver banking products and services. These locations are reasonably accessible to the entire AA, including low- and moderate-income (LMI) individuals. The ATMs are located at each branch facility with one exception, the Deerfield/Riverwoods office. The distribution of the bank's branches and ATM's is illustrated in Table 4 below.

Table 4 Distribution of Branches and ATMs					
Census tracts		Branches		ATMs	
Income level	Percent in AA	Number	Percent	Number	Percent
Low	3%	0	0%	0	0%
Moderate	21%	0	0%	0	0%
Middle	28%	1	11%	1	12%
Upper	48%	8	89%	7	88%
Total	100%	9	100%	8	100%

Source: Verified Internal Bank Records

Three of the offices located in upper-income tracts are close in proximity to the concentrated low- and moderate-income tracts of the AA. Full service ATMs are located at these branches.

The bank's record of opening and closing branches is reasonable. The bank closed one branch and opened two since our last CRA examination. The closed branch office was located in an upper-income geography. This branch was sold to another institution who maintains a banking presence in this area. One of the facilities opened was in a middle-income tract while the other was opened in a high-income tract.

The bank's hours of operation are convenient for customers. All branch hours are similar with minor adjustments based upon the location and the needs of the customer base of that facility. Six of the facilities offer drive-up conveniences, also with similar hours of operation. One office, located in an upper-income tract does not conduct personal banking transactions (lending activities). Another location which offers these services is less than one mile away. Costs do not vary from location to location.

The bank offers numerous loan and deposit products including low cost checking accounts and one checking account with no fees.

In addition to the branching network, SNB has the normal alternative systems for delivering retail banking services to their assessment area. This includes the full service ATMs mentioned above and an automated telephone response system where customers can call 24 hours a day to obtain information on deposit accounts, loan accounts, transfer funds and verify funds on deposit.

Community Development Services

SNB provides an adequate level of community development services. The primary community development services focus on bank employees and directors serving on the boards of and providing technical assistance to community development organizations. These organizations work to help meet the housing and financial needs of low- and moderate-income individuals and small businesses. Listed below are a few examples of community development services the bank provides:

- Members of the Board and management team use their financial expertise in various local community organizations which promote community development. These include credit counseling, home fairs, and home ownership education.
- The bank offers low-cost deposit products.

FAIR LENDING REVIEW

The bank is in compliance with the substantive provisions of the fair lending laws. We tested a sample of home improvement loans to determine if rates and terms offered were similar for single female borrowers versus joint borrowers. We found no evidence of discrimination.